

Message Text

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ACTION NEA-10

INFO OCT-01 EA-10 ISO-00 SOE-02 AID-05 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 DOE-15 H-01 INR-10 INT-05
L-03 NSAE-00 NSC-05 OMB-01 PM-05 ICA-11 OES-09
SP-02 SS-15 STR-07 TRSE-00 ACDA-12 /138 W
-----065832 212315Z /15

R 211344Z AUG 78
FM AMEMBASSY KUWAIT
TO SECSTATE WASHDC 1656
INFO AMEMBASSY SEOUL

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E.O. 11652: N/A
TAGS: ENRG, PINR, EALR, ETRD, KU, KS
SUBJECT: KUWAIT INTEREST IN SOUTH KOREAN REFINERY EXPANSION

1. THE AUGUST 14, 1978 EDITIONS OF THE KUWAIT ENGLISH LANGUAGE PRESS CARRIED REPORTS ON THE "POSSIBILITY OF SETTING UP A KUWAITI-FINANCED OIL REFINERY IN (SOUTH KOREA)". OFFICIAL SOURCES ALLEGEDLY RAISED THE POSSIBILITY AFTER THE CONCLUSION OF TWO DAYS OF TALKS BETWEEN REPUBLIC OF KOREA'S (ROK) DEPUTY ENERGY AND NATURAL RESOURCES MINISTER, KAK YUNG YU, AND KUWAIT'S OIL MINISTER, SHEIKH ALI KHALIFA AL SABAH IN KUWAIT. ACCORDING TO THE PRESS, KUWAIT WILL SUPPLY OIL ON LONG-TERM CONTRACTS TO THE REFINERY, WHICH WILL BE JOINTLY OWNED. THE MATTER WILL BE DISCUSSED FURTHER IN SEOUL BY A DELEGATION FROM THE KUWAIT OIL MINISTRY.

2. EMBOFF CONTACTED OIL MINISTRY FOR ROUTINE CONFIRMATION OF NEWSPAPER ACCOUNT ONLY TO FIND THAT THE RESPONSIBLE DEPARTMENT WITHIN THE MINISTRY HAD LEARNED OF THE PROJECT FROM THE NEWSPAPER. THIS DEPARTMENT HAD NOT BEEN CONSULTED NOR INVOLVED IN DISCUSSIONS, BUT HAD LEARNED THAT
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OIL MINISTER WAS HANDLING THE SUBJECT HIMSELF. (ADDED NOTE: SOURCE WITHIN MINISTRY RATHER TESTILY CITED OTHER EXAMPLES WHERE ALI KHALIFA HAS EMBARKED INDEPENDENTLY, WITHOUT FEASIBILITY STUDIES OR ECONOMIC REPORTS, AND HAS COMMITTED THE MINISTRY TO DISCUSSIONS ON JOINT REFINING OR INVESTMENT PROJECTS. SOURCE MENTIONED A REFINERY PROJECT IN THE BAHAMAS, WHICH THE MINISTER HAS BEEN HANDLING IN

THIS WAY, ALTHOUGH PROJECT HAS NOW REACHED STAGE
REQUIRING OIL MINISTRY ECONOMIC DEPARTMENT TO PREPARE RE-
COMMENDATIONS RE SPECIFICATIONS FOR THE PROJECT.)

3. SUBSEQUENTLY, WHEN AMBASSADOR MADE RETURN COURTESY
CALL ON AMBASSADOR HI-CHUL MOON, NEW HEAD OF ROK
TRADE DELEGATION IN KUWAIT, LATTER CONFIRMED THAT HIS DEPUTY
ENERGY MINISTER HAD INDEED DISCUSSED WITH THE OIL MINISTER
THE IDEA THAT KUWAIT MIGHT BE WILLING TO PARTICIPATE IN
THE EXPANSION OF THE ROK'S OIL REFINERY EXPANSION. AMB
MOON SUGGESTED THAT THIS WOULD BE IN THE NATURE OF
EXPANSION OF PRESENT REFINERY CAPACITY RATHER THAN
THE CONSTRUCTION OF AN ENTIRELY NEW REFINERY. ACCORDING
TO MOON, SHAIKH ALI KHALIFA INDICATED THAT KUWAIT HAD
A SERIOUS INTEREST IN THIS POSSIBILITY.

4. AMB MOON ALSO INDICATED THAT SUCH A PROPOSITION WOULD
INVOLVE A GREATER OFFTAKE OF KUWAITI CRUDE THAN WAS
ALREADY THE CASE. HE BELIEVED THAT KUWAIT WAS ALREADY
SUPPLYING ABOUT ONE-THIRD OF ANNUAL ROK REFINERY
REQUIREMENTS. (COMMENT: ROK PURCHASED 49.6 MILLION BARRELS
OF KUWAITI CRUDE OIL IN 1977. ACCORDING TO EMBASSY
INFORMATION, CURRENT ROK REFINERY CAPACITY OF 435,000
B/D WILL BE EXPANDED TO 630,000 B/D BY END OF 1978.)

5. AMBASSADOR NOTED THAT, ACCORDING TO HIS UNDERSTANDING,
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THE ROKG WAS GRADUALLY TAKING OVER THE PURCHASING OF
ITS CRUDE OIL REQUIREMENTS AND REDUCING THE ROLE OF
FOREIGN OIL COMPANIES IN THE COUNTRY. HE ASSUMED THAT
THE INCREASED PURCHASES OF KUWAITI CRUDE WOULD BE
MADE ON A BASIS OF A GOVERNMENT-TO-GOVERNMENT ARRANGE-
MENT. AMB MOON CLAIMED LACK OF EXPERTISE IN THIS FIELD
AND DECLINED TO CONFIRM THIS ASSUMPTION. (COMMENT:
ADDITIONAL KUWAIT CRUDE WILL PROBABLY NOT BE MADE AVAIL-
ABLE WITH SUCH AN ARRANGEMENT UNTIL 1981 WHEN IT WAS
ANTICIPATED TOTAL ROK REFINERY REQUIREMENTS MAY REACH
1 MILLION B/D.)

6. IN RESPONSE TO AMBASSADOR'S QUERY, AMB MOON SAID THAT
NO KUWAITI DELEGATION HAD BEEN SELECTED TO VISIT HIS
COUNTRY NOR HAD ANY DATE BEEN SET, BUT HE ASSUMED THIS
WOULD TAKE PLACE, PROBABLY TOWARD THE END OF THE YEAR.
(PRESS REPORTED THAT OIL MINISTRY DELEGATION WOULD GO TO
SEOUL IN OCTOBER.)
MAESTRONE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM, REFINERIES
Control Number: n/a
Copy: SINGLE
Draft Date: 21 aug 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978KUWAIT04644
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780341-1179
Format: TEL
From: KUWAIT
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780843/aaaabjmu.tel
Line Count: 113
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 4edb5160-c288-dd11-92da-001cc4696bcc
Office: ACTION NEA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 24 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1679592
Secure: OPEN
Status: NATIVE
Subject: KUWAIT INTEREST IN SOUTH KOREAN REFINERY EXPANSION
TAGS: ENRG, PINR, EALR, ETRD, KU, KS
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/4edb5160-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014